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FISCAL IMPACT STATEMENT

LS 6275

BILL NUMBER: HB 1243

NOTE PREPARED: Dec 30, 2004

BILL AMENDED:

SUBJECT: Property Tax Credits and Deductions.

FIRST AUTHOR: Rep. Ripley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: Beginning with property taxes payable in 2005, this bill allows a property taxpayer to claim the homestead credit and certain individual deductions after the normally applicable deadline if property taxes are not timely billed.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) must prescribe forms or issue instructions for the use of existing forms for filing a statement to claim the deductions and/or credit. If county auditors apply the deductions, the auditors must send to the DLGF a revised certified statement that reflects the deductions applied. The DLGF must use the revised certified statements in determining tax rates for taxes first due and payable in the year that immediately follows the year in which the deductions apply. The DLGF may increase a political subdivision's tax rate to an amount that exceeds the amount originally fixed by the political subdivision based on the revised certified statement. The above provisions will increase administrative expenses for the DLGF. However, it is presumed that the DLGF will be able to absorb any additional expenses given its current budget and resources.

The proposal could result in an increase in homestead credits paid by the state. The amount of the credit equals 20% multiplied by the individual's property tax liability after the Property Tax Replacement Credit is applied. The specific impact is indeterminable. Homestead credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Any changes of homestead credit expenditures would ultimately affect the state General Fund.

Explanation of State Revenues: The proposal could result in additional property tax deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all AV. If property is not a part of the tax base, the state can not assess this tax on the property. Any change in the AV base as a result of deductions reduces the property tax revenue collected for these two funds.

Explanation of Local Expenditures: This bill allows a property taxpayer to claim the homestead credit and certain individual deductions after the normally applicable deadline if property taxes are not timely billed. An individual must file the statement to claim a deduction with the county auditor not later than the earlier of 60 days after the county treasurer transmits the statement or December 1 of the year for which the individual wishes to obtain the deduction. (Under existing law, the statement must be filed before May 11.) The county auditor must determine whether the individual qualifies for the credit or deduction. If the county auditor determines that the individual qualifies, the auditor must apply the credit or deduction and send to the DLGF a revised certified statement for the county that reflects the deductions applied. The county auditor must file the certified statements of deductions by December 1. The DLGF currently certifies budgets, levies, and tax rates generally beginning in early December and ending by February 15. With respect to homestead credits, the county auditor must send to the DLGF a revised certified statement not later than December 31. The auditor must, without an appropriation being required, issue a warrant to the individual payable from the county general fund for the amount by which the property taxes would have been reduced if the benefit had been applied. Instead of paying a refund, the county auditor could instruct the county treasurer to apply the amount of the refund as a credit against the individual's next installment of property taxes. Interest is not payable on a refund.

The above provision may result in increased administrative expenses for the county. However, it is presumed that counties will be able to absorb any additional expenses given their current budget and staff.

Explanation of Local Revenues: The above proposal may result in an increase in deductions claimed. The property tax deductions that would be available for taxes paid in 2005 under this proposal include mortgage, over 65, blind/disabled, and veteran's deductions. The \$35,000 standard deduction is automatic when the homeowner receives the Homestead Credit. Taxpayers who apply for the state homestead credit receive the local homestead credit.

Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. Total local revenues would not be affected, except that the revenue in rate-controlled funds would be reduced.

State Agencies Affected: DLGF, State Fair, and State Forestry.

Local Agencies Affected: All local civil taxing units and school corporations, county auditors, and county treasurers.

Information Sources:

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